

UTILITY ADVISORY COMMITTEE MINUTES

September 14, 2022

Call to Order

Meeting called to order 5:30 pm.

Members Present: Andy Maron, Ted Jones, Charlie Averill, Svend Brandt-Erichsen, Sheina Hughes, Susan Hume (via Zoom),

Also Present: Chris Wierzbicki (Public Works Director); John Quitslund (Council liaison)
Chris Gonzalez (FCS)

Public Works Report

Update on several pending matters discussed at prior meetings:

- 1st round of negotiation with PSE regarding its franchise agreement. PSE is simultaneously in negotiations with several cities. On consultant's advice, City is waiting to see how PSE responds to communities where negotiations are farther advanced.
- Wing point lift station replacement – Public Works is exploring additional alternatives with local residents, including possible rerouting of line towards street and away from the beach.
- Lynwood area sewer service. Public Works is continuing an evaluation of demand for additional sewer connections. Discussions occurring with Sewer District 7 regarding potential for additional ERUs and capacity of its treatment system,

Rate Study

- First of several meetings to review sewer and water service rate study. Anticipated organization of meeting topics:
 - Financial Plan
 - System Participation Fee (SPF)
 - Rate Structure
- Primary focus of this meeting was the financial plan.
- The committee had some high-level recommendations: to achieve the same revenue objectives but to evaluate opportunities to lower and spread out rate increases over time, particularly recognizing that another rate study in 5 years could address any need for changes in course.

Factors Driving Costs

Water Supply: capital investments (CIP projects) and addition of staff positions

Sewer – capital replacement projects (beach main replacement; wastewater treatment upgrade) and addition of staff positions.

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System Reinvestment Fund – a new component of the financial plan. This fund will be a vehicle for collecting funds over and above operating expenses and CIP to pay for equipment replacements and system maintenance – replacement of depreciated components and other forms of non-routine maintenance. Objective is to grow the fund to equal annual depreciation, and to use to fund replacement equipment before it fails or as it approaches end of useful life.

Water System

The consultant projects that current revenues will be insufficient for the water supply system within a few years, with increasing deficits over time. Accordingly, a revenue increase is necessary. There was a discussion of how past rate decisions contributed to the current revenue situation.

The proposal presented to the Committee for discussion called for 25 percent increases in each of three years, starting in 2023, with 4 percent increases thereafter.

There was substantial discussion of alternatives for slowing the rate of increase, including use of reserves to lower the rate increase curve.

The Committee suggested a benchmark of establishing and maintaining \$1M in the operating reserve in 2030, and also identifying a low and high-end “warning level” and timeframe by which the City should re-evaluate rates/spending if the reserve gets too low or too high.

Regarding the System Reinvestment Fund, the Committee recommended starting the fund in 2024 at level of \$250,000 and building up to the desired amount by 2030. Full depreciation for the water system is about \$650,000.

Sewer System

Rate increases also will be needed to maintain adequate funding for the sewer system. The proposed rate increases presented for discussion were 3 years at 6 percent a year, then 4 percent per year thereafter.

The financing plan is designed to achieve a goal of maintaining a \$1 million operating reserve. This is a lower percentage of operating costs than the City’s reserve policy would normally require, but revenue collection for the sewer system is more stable and not susceptible to seasonal fluctuations.

The System Reinvestment Fund objective for the sewer system is higher than for the water system, because of the higher cost of the sewer system assets.

The Committee recommended taking the same approach to establishment of the System Reinvestment Fund as was recommended for the water supply system.

Next meeting

Discussion of SPF and rate structure.

Meeting Adjourned